

Guinness Global Equity Income Fund

A high conviction equity fund managed by Dr. Ian Mortimer and Matthew Page, CFA, in accordance with their intelligent investment process for high quality income portfolios.

INVESTMENT COMMENTARY - June 2012

Fund size (31.5.12) **£15.1m**

Aim

We don't chase yield, we want capital and dividend growth

Our aim is long-term capital growth and a steady rising dividend stream, balanced with a yield of 3-4%.

Process

Quality before yield

We buy companies that have generated at least 10% Cash Flow Return on Investment every year for 10 years.

"It's a rare achievement for a company to meet our investment criteria – 10% cash flow return on investment every year for ten years is a mark of genuine quality. That's where our portfolio starts – persistent cash generation before yield."

Equity markets in May followed on from their poor performance in April. The Fund delivered a total return of -2.0% (in GBP) in the month, versus the MSCI World Index total return of -3.6% (in GBP). The Fund therefore outperformed the index by 1.6% over the month. Our continued bias towards quality, well capitalised, cash-generative companies contributed to this relative outperformance as the market continued to sell down risk assets. We made no changes to the portfolio in May.

During the month the market remained volatile as investors searched for meaning in the myriad economic data points released and tried to ascertain the effects of numerous political responses to the enduring debt crisis in Europe. In the US we saw weaker data in the housing market, personal income and manufacturing alongside some, albeit grudging, improvements in employment. GDP growth in the US for the first quarter was 2.2% which represents a middling outcome and suggests that it is unlikely we will see a quick return to stronger growth in the current quarter. Europe remains in focus as more countries in the 17 nation eurozone officially entered a

recession and the political instability in Greece continued following the inconclusive elections. In the emerging markets China GDP growth in absolute terms remains high, although we see some signs that this is slowing too.

Corporate profits, however, have been a bright spot in the recent turmoil, with many companies beating guidance for their first quarter results. We continue to believe that, for the long-term investor, periods of market weakness should be used to invest in strong companies with valuations that are attractive that have shown an historic ability to weather difficult and slow growth environments. In particular we believe that those companies with the ability to pay a dividend in almost all market scenarios allow the investor to capitalise on weak share prices by re-investing those dividends and benefiting from increased income generation in the future. With the universe of income-generating investments – be they government or corporate bonds, bank savings accounts, TIPS, or similar – yielding ever lower amounts, we think this thesis becomes even more attractive.

In the month two companies in the portfolio announced increases in their dividend: Johnson & Johnson, and Pepsi.

Johnson & Johnson, the pharmaceuticals and health care company, have one of the longest running histories of consecutive dividend increases. Its latest dividend increase represented the 58th consecutive year that the company increased its quarterly dividend, when the company announced it would pay a dividend of \$0.61 per share, a 7% increase from the previous dividend of \$0.57 per share. In 2011 Johnson & Johnson had worldwide sales of \$65bn, of which approximately 70% came from products with a number one or number two market share position. 25% of sales were also generated from products introduced over the past five years, showing that the company not only has the ability to maintain growth by defending a leading position in the fields it competes in, but can also innovate and create new avenues of business.

Past performance should not be taken as an indicator of future performance. The value of investments and any income arising from them can fall as well as rise.

Pepsi has an equally impressive track record of dividend growth, with the current year representing the 40th successive year of dividend increases. The company announced a dividend of \$0.5375 per share for the first quarter, an approximately 4% increase. 2012 appears to be another transformational year for Pepsi as the company executes its strategy of boosting advertising and brand awareness alongside significant cost savings created through operational efficiencies (such as the acquisition of its two largest North American bottlers). The company has also increased investment in faster growing international regions such as China, Brazil, and the Middle East – all areas that have added significantly to the sharp increase in foreign revenues seen in the last five years. Increased commodity costs and greater competition in recent years has been a drag on Pepsi's earnings in recent quarters but if the current strategies provide cost savings and the company is able to benefit from organic growth from emerging countries then it should be well placed to reap the benefits in 2013 and beyond.

Dr. Ian Mortimer & Matthew Page

Co-managers

Guinness Global Equity Income Fund

June 2012

PORTFOLIO (31.5.12)

Fund top 10 holdings (%)		Geographic allocation (%)		Sector analysis (%)	
Wal-Mart Stores	3.2%	United States	49.1%	Consumer Staples	33.4%
Illinois Tool Works	3.2%	Great Britain	30.1%	Health Care	15.0%
Reynolds American	3.1%	France	8.9%	Financials	15.0%
Willis Group Holdings	3.1%	Netherlands	3.0%	Industrials	12.2%
Coca-Cola	3.1%	Hong Kong	2.9%	Telecommunications	8.7%
Halma	3.1%	Australia	2.9%	Information Technology	6.1%
L-3 Communications	3.1%	Germany	2.8%	Consumer Discretionary	6.1%
Pepsico	3.1%	Spain	2.7%	Energy	5.9%
Abbott Laboratories	3.1%				
Aflac	3.1%				
% of Fund in top 10	31.1%	Cash	-2.4%	Cash	-2.4%
Total number of stocks in Fund	35		100.0%		100.0%

PERFORMANCE**Discrete years' % total return**

12 months to month end:	May '08	May '09	May '10	May '11	May '12
Guinness Global Equity Income Fund	-	-	-	-	-2.4
MSCI World Index	-3.6	-20.1	26.1	13.1	-4.8
IMA Global Equity Income sector average	-5.8	-18.9	22.3	16.2	-4.4

Cumulative % total return

31/05/2012	1 month	3 months	6 months	1 year	From launch
Guinness Global Equity Income Fund	-2.0	-2.7	1.2	-2.4	1.6
MSCI World Index	-3.6	-5.0	2.9	-4.8	-3.2
IMA Global Equity Income sector average	-3.7	-5.6	3.8	-4.4	-2.1

Risk analysis - Annualised, month end, from launch on 31.12.10

31/05/2012	Index	Sector	Fund
Alpha	0	0.55	2.76
Beta	1	0.87	0.72
Information ratio	0	0.15	0.73
Maximum drawdown	-14.06	-10.95	-10.76
R squared	1	0.78	0.84
Tracking error	0	5.47	4.76
Volatility	11.32	11.18	8.96

Past performance should not be taken as an indicator of future performance. The value of this investment and any income arising from it can fall as well as rise as a result of market and currency fluctuations.

Source: Financial Express, bid to bid, total return, C class shares, GBP. Launch date: 31.12.10.

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IMPORTANT INFORMATION

This report is primarily designed to inform you about the Guinness Global Equity Income Fund, including recent activity and performance. For regulatory purposes it falls within the legal definition of a financial promotion. Please therefore note the risk warnings below and the following statements: it contains facts relating to equity markets and our own interpretation. Any investment decision should take account of the subjectivity of the comments contained in the report. It is for information only and all the information contained in it is believed to be reliable but may be inaccurate or incomplete; any opinions stated are honestly held at the time of writing, but are not guaranteed. The content of the document should not therefore be relied upon. It should not be taken as a recommendation to buy or sell individual securities.

The Guinness Global Equity Income Fund is an equity fund. Investors should be willing and able to assume the risks of equity investing. The value of the Fund's portfolio changes daily and can be affected by changes in currencies, interest rates, general market conditions and other political, social and economic developments, as well as specific matters relating to the companies in whose securities the Fund invests. Investment in the Fund carries with it a degree of risk and investors should read the risk factors section in the prospectus before investing.

The full Fund documentation contains more complete and detailed information of risk, fees, charges and expenses that are to be borne by an investor. The documentation should be read carefully before investing. The full documentation needed to make an investment, including the Prospectus, the Simplified Prospectus and the Application Form are available, free of charge, from the Manager: Capita Financial Managers (Ireland) Limited, Montague House, Adelaide Road, Dublin 2 Ireland or the Promoter and Investment Manager: Guinness Asset Management Ltd, 14 Queen Anne's Gate, London SW1H 9AA. **Documentation is also available from the website guinnessfunds.com.**

This document should not be distributed to Retail Clients who are resident in countries where the Fund is not registered for sale or in any other circumstances where its distribution is not authorised or is unlawful. **THIS INVESTMENT IS NOT FOR SALE TO U.S. PERSONS.**

The Guinness Global Equity Income Fund is a sub-fund of Guinness Asset Management Funds PLC (the "Company"), an open-ended umbrella-type investment company, incorporated in Ireland and authorised and supervised by the Central Bank of Ireland. The Fund has been approved by the Financial Services Authority for sale in the UK. The Company and the Fund have been recognised in the UK by the FSA pursuant to section 264 of the FSMA. Guinness Asset Management Ltd is authorised and regulated by the Financial Services Authority.

Telephone calls to Guinness Asset Management may be recorded.

The prospectus for Switzerland, the simplified prospectus for Switzerland, the articles of association, the annual and semi-annual reports, as well as the list of the buying and selling transactions can be obtained free of charge from the representative in Switzerland, Carnegie Fund Services S.A., 11, rue du Général-Dufour, 1204 Geneva, Switzerland, Tel. +41 22 705 11 77, Fax: +41 22 705 11 79, www.carnegie-fund-services.ch. The paying agent is Banque Cantonale de Genève, 17 Quai de l'Île, 1204 Geneva, Switzerland.

The function of paying and information agent in the Federal Republic of Germany is carried out by Marcard, Stein & Co AG, Ballindamm 36, 20095 Hamburg, Germany.

GLOSSARY

Alpha

Alpha is a measure of a fund's over or underperformance by comparison to its benchmark. It represents the return of the fund when the benchmark is assumed to have a return of zero, and thus indicates the extra value that the manager's activities have contributed.

Beta

Beta is a statistical estimate of a fund's volatility by comparison to that of its benchmark, i.e. how sensitive the fund is to movements in the section of the market that comprises the benchmark. A fund with a Beta close to 1 will move generally in line with the benchmark. Higher than 1 and the fund is more volatile than the benchmark.

Information Ratio

An assessment of the degree to which a manager uses skill and knowledge to enhance returns, this is a versatile and useful risk-adjusted measure of actively-managed fund performance. It is calculated by deducting the returns of the fund's benchmark from the fund's overall returns, then dividing the result by its Tracking Error. In this way, we arrive at the value, per unit of extra risk assumed, that the manager's decisions have added to what the market would have delivered anyway.

Maximum Drawdown

Represents the worst possible return over a period, e.g. buying at the highest price over the period and selling at the lowest.

R-Squared

The R-Squared measure is an indication of how closely correlated a fund is to an index or a benchmark. It can be treated as a percentage, showing what proportion of a fund's movements can be attributed to those of the benchmark. Values for R-Squared range between 0 and 1, with 0 indicating no correlation at all, and 1, rarely, showing a perfect match.

Tracking Error

This statistic measures the standard deviation of a fund's excess returns over the returns of an index or benchmark portfolio. As such, it can be an indication of "riskiness" in the manager's investment style. A Tracking Error below 2 suggests a passive approach, with a close fit between the fund and its benchmark. At 3 and above the correlation is progressively looser: the manager will be deploying a more active investment style, and taking bigger positions away from the benchmark's composition.

Volatility

Standard deviation is a statistical measurement which, when applied to an investment fund, expresses its volatility, or risk. It shows how widely a range of returns varied from the fund's average return over a particular period. Low volatility reduces the risk of buying into an investment in the upper range of its deviation cycle, then seeing its value head towards the lower extreme.

GUINNESS
— FUNDS —

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